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MADE IN ITALY AS A COLLECTIVE BELIEF.
A MODEL OF INVESTMENT IN STEREOTYPES

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Made in Italy as a collective belief. A model of investment in stereotypes ♦

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Abstract

This paper interprets for the fist time the phenomenon of the made in Italy as a collective belief. First, a conceptual framework is proposed for analysing the formation and evolution of collective beliefs, by characterizing precisely the way individuals are expected to behave in this respect. Then, we argue that different paths may end up provoking the emergence of a collective belief, and maintain that the made in Italy can be though of as the case of a collective belief about the inventive and creative Italian way of producing a specific set of goods. Afterwards, we point to the investment in public rituals as the way to actively foster this collective belief, and then interpret such process as an economic problem of providing a public good. We highlight the main collective action implications of such analysis, by modelling individuals' behaviour in different settings. The analysis is focused on those characteristics that make the made in Italy a special public good, such as joint private benefits, asymmetries between agents, accession costs, and transaction costs. Finally, policy and institutional implications are explored, in terms of redistribution, proactive subsidization, and contract design.

JEL codes: D21, H41, R38

Keywords: collective beliefs, public rituals, impure public goods

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Cambiando paese – si cambia fortuna.
Meglio bruciare un paese – che perdere un'usanza.
Compaesani e forestieri – tutti ladri nei loro mestieri.
Italian proverbs

1. Introduction: the virtual brand of a country

Giacomo Becattini has argued in several works [take for all: 1998, 2000a] that the globalization of markets and the rapid change of production technologies and consumption practices imply that competition does not take place on the basis of either the price of standardized goods, or the quality of differentiated products. Rather, competition is strong in the ability to incorporate the desires of the users/consumers in the conception, production and marketing of a product. In short, what counts in today's global competition is the "meaning" of the goods, as perceived by consumers, that a firm manages to incorporate in its production. This meaning, in turn, does not come out from particular goods taken in themselves, but from the status that these goods have in the wider supply system; it is like, following Saussure, the meaning of any linguistic sign – which is essentially arbitrary and agreed upon – which is given by the position it has within the whole language. In the Italian case, the sectors producing durable goods, furniture, fashion and food of the Mediterranean diet, as well as the conventional mechanics, all shape an integrated supply system, known as made in Italy. The crucial point is that this system appears objectively without any foundations. It is «nothing more than an aggregate of heterogeneous sectors, whose common ground rests in the definition that identifies them: sectors that provide a permanent positive surplus of the balance of payments, i.e. the sector of stable specialization of the Italian economy, with respect to the rest of the world» [Rullani 2000, 160]. More exactly, it is in the sphere of subjective representations that the made in Italy turns out to be a symbol that – by synthesizing the style, the character, and the character and aesthetic feeling of a population – embodies the Italian «leadership in producing goods in the systems of fashion, furniture, hobby, and food» [Fortis 1998, 15]. Hence, according to Becattini, the made in Italy exists insofar as it incites the «collective belief» of the world.

It is mainly through the unifying power of this belief that separate components of the Italian supply system valorise each other: if the Ferrari wins the Chinese Grand Prix, or if the star of Hollywood dresses Valentino, the result is that the wine from Piedmont, the stuffed furniture from Puglia, the packaging machines from Bologna, also gains appeal and reputation. As in the case of advertising, according to the classical analysis of Roland Barthes [1957], the images of made in Italy refer to specific meanings that are translated, in order to indicate something which is different than their literal meaning. The view of the Italian soccer team that raises the World Cup in the Berlin stadium means, on the one hand that our players have won the most ambitious prize, but on the other may allude to the Italian team spirit, to the creativity of individual players, or to the ability of react to conspiracies and exclusions. The connection between that image and other Italian goods confer therefore the latter a new symbolic connotation, until with the course of time those goods alone evoke imaginary meanings. The selection of positive images changes once in a while, although is preferably taken from the reservoir of the most captivating symbols: family as the "true" community, the importance of a few friends in an extraneous and hostile world, the appreciation of undisturbed power and exhibited beauty, the envy for luck and prosperity, the customary habits and local landscapes.[1] Just because it stimulates a coherent set of images that outstrip generations and boundaries, the made in Italy acts as a single virtual brand, or symbolic capital, that designates our country as a constrained monopolist supplying a series of goods that would be distinctive.[2]

Becattini's analysis implies, among others, an element that should be immediately underscored. It suggests that, in the present-day globalization, the trends of world demand coagulate, not much around anonym firms within framed sector industries, but rather towards the specificities with which millions of wealthy and better-off consumers identify and distinguish the goods from this or that territory (continents, nations, districts). It follows that the competitive advantage of, say, Florence, Tuscany, or Italy, depends to a large extent by the strength and endurance of their successful image as locations of production, but also, and perhaps more importantly, as peculiar "sites of meaning". It is therefore crucial to analyse in depth a

[1] This characterization of the Italian national identity may be compared to that of the historian Paul Ginsborg [1994, 8]: « Catholicism, love for family, artistic creativity, generosity, passion for soccer, clientele attitude, outmoded political and cultural elite, joy of living, lack of identification with the State».
[2] Together with the sectors of made in Italy, it is tourism the real basis of our economic growth [Becattini 1998, 129]. Needless to say, the prosperity of the tourism sector is also linked to the positive strength of made in Italy in the world's collective belief.

phenomenon traditionally outside the scope of the economic science: how human societies represent their socio-economic experiences to themselves and to the others. How do these symbolic images work? How are they built? How do they evolve or are changed? Of course, we do not have the ambition to articulate in a few pages a comprehensive answer. Our aim is showing the possibility to give a theoretical explanation to those facts. In this direction, we must use the insights from other disciplines, relying on an analytical framework that economists use to deal with.

The rest of the paper is organized as follows. In the next section, a precise characterization of what we intend for a collective belief is provided. Section 3 depicts two different paths for the formation of a collective belief, focusing of the special case raised by the made in Italy. The transformation process of symbols into stereotypes is explored in section 4, where investments in public rituals are singled out as the means to fostering the collective beliefs. Section 5 is devoted to sketching the basic analytical model for analysing the economic problems surrounding the provision of the made in Italy, where section 6 presents some extensions required to adapt the model to the specificities of the case, and advances some policy and institutional implications. Section 7 draws some conclusions.

2. The collective belief

Dennett [1991, 332] reports that the British economist John Maynard Keynes had once been asked if he used to think in images or words. He replied that his thoughts were in thoughts. He was right in resisting the temptation to believe that we think through words or images, since the “mental images” are not exactly as pictures or photos in the head, and thinking “verbally” is not exactly as speaking to oneself. The human mind, reminds wisely Keynes, is not like a computer. The though is not always an inferential process, since, as noted by Gerald Edelman [1992, 35], «animals and humans partition the objects and events into categories, in a way that has nothing in common with logic or calculus». Above all, reasoning and language seem unconnected to the cognitive processes of the imagination. Any image we produce has not a propositional nature, as it would only describe, like a picture, what it represents. Imagination is an attribute of the human thought that has a pre-logical, pre-linguistic nature, often lacking intentionality (that is to say, it does not always point to a

specific object).[3] The mental images have a figurative character, not synthesisable in more abstract codes of representation, and so they are called "symbols". According to Geertz [1973, 93-94], symbols are not simple reflections, instruments or counter-values of our biological, psychological and social experience: they are prerequisites of such experience. For our purposes, we can observe that a symbol is a form that constitutes a cognitive condition of the possibility of human thought, and that a collective belief is the *set of symbols within which a particular society, at any given time, thinks at itself and at the world*.

We partially follow the analysis of the eminent anthropologist Carlo Tullio-Altan [1992, 1998], as regards the process of formation of a collective belief. Tragic events, natural disasters or harsh conflicts are often destabilizing experiences for a human collective. The horizon of sense must be reshaped. The first step is taking out of the crisis, by simulating alternative scenarios: this implies getting out of history, i.e. leaving apart for a moment the actual spatial-temporal sequence of episodes.[4] The following step is codifying through the culture the alternative scenario. This scenario is "put on stage" and passed on from place to place, from one generation to the other, by means of public rituals (ceremonies, tales, art works, but also daily routines), in order to produce, disseminate and strengthen a stable and integrated hermeneutical course. The process works insofar as the group members identify themselves in the simulated scenario, as much as behave according to the horizon of sense that the scenario suggests. When this process is complete, a new collective belief is set up.

According to Tullio-Altan, the formation of a collective belief also accomplishes cognitive tasks: the group reconsiders its condition, interprets it within different contexts, takes decisions and undertakes behaviours previously not admitted. But the "imaginative knowledge" should be distinguished from the knowledge through the ideas, which is the way to represent "something" specific.[5] In the cognitive process of ideas, the individual proceeds towards the object, in order to understand it better: this implies that the individual undertakes a critical separation, at the same time as he keeps an autonomous intentionality and awareness. On the contrary, by abiding to a collective belief, the individual associates himself and the object to the symbol: he sticks to images-values in which the distinctions between "me and you", "me and

[3] This is consistent with the position of many economists, such as Marshall and Schumpeter, as reported in Loasby [2001, 11].
[4] The original notion is due to Ernesto de Martino. We have preferred to directly account for the synthesis of Tullio-Altan, since we believe it puts the contribution of de Martino in a wider perspective.
[5] Tullio-Altan actually refers to "concepts", not "ideas". Concepts are ideas with a logical-linguistic structure. Hence, for our purposes, pointing to ideas is more appropriate.

them", or "me and it", have not yet been introduced.[6] Here, the individual acts on the conditions of sense of such distinctions. Therefore, while the knowledge through the ideas is a transaction between individual and individual, or between individual and object, the imaginative knowledge is an identification of the individual in the symbolic representation and, in this way, in other individuals and other objects. But if, in the symbolic experience, a single individuality is not yet separated from that of the others, this means that the symbolic experiences arise as *directly inter-subjective*. For instance, if in a private prayer the "cross" represents today a symbol of resurrection of the Spirit, this happens since that cross previously constitutes the symbol of a collective religious practice. The private and individualistic dimension of the elaboration of symbols exists insofar as it is connected to the dimension of the group: *the belief is either collective, or it is not at all*.[7] We will se below that this thesis has important implications in term of economic analysis of the phenomenon.

3. Two paths for building up a collective identity

It is again Tullio-Altan that in recent years has elaborated a model of formation of the ethnic identity of a human collective. Summing up, a collective identity «arises from a combination of factual elements, transfigured in symbolic values, which in a long term process end up constituting the content of self-consciousness of a population and its *raison d'être* as such [..] Those aggregating values are represented by: the memory of the glorious events that have paved the way of its unification and characterization as historical subject, i.e. its *epos*; the set of collective norms and related institutions, i.e. its *ethos*; the common language, its *logos*; the original genealogic stock from which it descends or believes so, its *genos*; and the location where it lives, its *topos*. There are cultural and natural elements, transfigured in identification symbols» [Tullio-Altan 1995a, 118].

Though perfectly agreeing with the approach of Tullio-Altan to the collective belief, we partially dispute his model of ethnic identity. It is a theoretical framework able to

[6] According to Geertz [1973, 169], in a ritual, the world as experienced and the world as imaged, together merged through the action of a unique ensemble of symbolic forms, turn out to be the same world.

[7] We are maintaining that phenomena such as the myth, ethic, politics, religion and even – after Marx, Malinowski and Polanyi – economics, are fed by a belief that is directly collective (or it is not). In so doing, we do not wipe out the existence of private symbolic experiences, such as dreams. The point is that dreams arise from the individual's mind since he is inserted in the symbolic production process of a collective. On this issue, see Rossi-Landi [1978].

account for numerous historical experiences, but inadequate when a collective identity arises from a series of events in which conflicts, contaminations and migrations prevail on stable and peaceful interactions. While the latter *may* allow mitigating and aligning the values of various sub-groups, in so generating at least some of the five aspects of the Altanian model, what happens when the events show mainly contrasts, fragmentations and diasporas? An answer may be obtained by looking at a country that, more than Italy, has gone through a historical path in which many populations have *not* become a single nation: the United States. Gleason [1980, 32] wrote that, in order to be an American, an individual was not asked to gave a specific ethnic, religious, linguistic or national background. It was enough to commit to a political ideology centred on abstract principles of freedom, equality, and republican organization. A country may be thus composed of various sub-groups – the melting pot as a mix of ethnic groups – that share citizenship: the political loyalty to the republic tends to replace the common culture. This occurs, following Walzer [1992, 99], by means of a protracted political activity, in which men and women that hardly accept their differences, recognize nonetheless that they share a commitment, that of the political arena and the people involved therein. Even a crucial election is a unifying ritual, not only because it has a unique outcome, but also because it affirms the existence of the arena itself, of the public issue and the people's sovereignty. Hence, strangely enough, the foundation of a country-not nation as the United States, where there is not a previously-shared civic culture, rests exactly in having in common … the differences and peculiarities, as maintained by Bernard Crick [1962] and Albert Hirschman [1994], among others. As Crick [1962, p.22] argues, we often think that politics only works insofar as a specific idea of "collective welfare" previously exists and is shared by all, a sort of "consensus" or, better, *consensus juris*. However, this collective welfare is in itself the result of a practical reconciliation of social groups' interests; it is not an external and intangible "spiritual cement", or a "collective will", or an objective "public interest". Different social groups stay together since they exercise politics, not because they agree on fundamental values or other similar concepts, too vague, too particularistic, or too sacred to exercise politics in their name. The moral consensus of a free State is not something inexplicably higher than politics: it is the civilizing activity of politics.

While we have mentioned above the citizens' political practices, similar considerations should be made as regards economic activities. It is in this perspective that, turning to our country, we should consider the behaviours that are symbolically

represented in the made in Italy. We can admit the plausibility of the most widespread image with which we are represented in the world: «as individuals – one may say – Italians are more than valuable even on a conflict site, where often emerge all those positive attributes related to that kind of individualism, accentuated perception of one's own single personality, that are pointed to as the true "genius of the Italian ancestry". In duels, in actions of individuals or small groups, in guerrilla much more than war, in those cases in which it is necessary to rely on the action or commitment of individuals or a few of them (and even better when spontaneous and not solicited from the top), Italian do extremely well and, sometimes, they have no rivals. On the contrary, when it comes to face big collective challenges that require strong apparatus, efficient structures, strong discipline, solid leadership and guide, then the positive becomes negative» [Galasso 2002, 198]. From this picture it does not automatically follow, as maintained by Tullio-Altan [1995a, 124], that the foundation of made in Italy is the hero «of a population rich in individual intelligences and extremely poor in social intelligence». In fact, the quality of the civil fabric and the perception of the collective welfare may *sometimes* come about more from unintentional result of groups' rivalry, territorial fragmentations and different normative values, than from a deliberate and crystallized national social integration.[8] Actually, in Italy «social solidarity takes mainly the form of broad territorial identifications […] Absent any mandatory and widely-shared experience of social solidarity based on a "imagined community" at the national level, this system of fragmented solidarities will be more useful than one that would depend from general identifications. Insofar as the latter are present and active, they will tend to have a parasitizing relationship with respect to the more dynamic, even if more incoherent, system based on local or sector relationships» [Absalom 1995, 297; cited in Becattini 2000b, 136]. This point is recognized, *malgré lui*, by Tullio-Altan, when writes: «if there have been and there are any virtues in the Italian *ethos* that can be properly taken as symbol of what is best in national tradition, and upon which it would be possible to build a historically-positive myth, those virtues, widely showed by the events of Italian unification, should be found in the productive creativity and geniality of both workers and enterprises that have brought in the world, with honour, the results of their active presence» [Tullio-Altan 1995b, 58]. Hence, the competitive and

[8] Of course, the use of "sometimes" is required, since there are circumstances in which the typical individualism of Italians violates so much the norms of collective cohabitation, that it provokes civil disintegration and decadence. What should be avoided is the *petitio principii* according to which the devaluation of the "wide" collective dimension must necessarily provoke social damages which are greater than the group's benefits [Tullio-Altan 1999, 216].

even opportunistic behaviours of the dynamic agent of made in Italy, may generate not only exclusive affiliations and shabby interest towards the *particulare*, but rather an authentic collective *ethos*.

4. From public rituals to ideas and stereotypes

In short, in the light of the previous reasoning, the reconstruction of the Italian collective identity does not come about mainly with reference to common values and cultural foundations, but rather looking at local shared practices, including politics, but also, at least equally important, economic activities. Accordingly, it is necessary to point to the «rituals of unity», to remind Michael Walzer. Such rituals belong to the set of *public rituals*, through which the symbolic experience is communicated and shared. They are social events characterized by a quite invariant sequence of actions and dispositions [Rappaport 1999, 24]: they include civil and religious ceremonies, holidays celebrations and exchanges of gifts, shared productive contexts, habitual commercial negotiations, sportive and media events, pedagogical itineraries, political meetings, judicial processes and punishments of criminals, funerals, marriages and other rituals, up to the most elementary daily interactions, from the neighbourhood gossip to the use of the same newspaper seller or the same fountain [Chwe 2001]. But obviously, not all usual social routines are public rituals. They become so when they modify the attitude of the group towards some symbols. In order to stick to the phenomenon we are dealing with, what transforms a heterogeneous and arbitrary constellation of "social facts" in the collective belief of made in Italy is the way in which a group of men behaves in its respect. In turn, what transforms such attitude is a set of public rituals, defined therefore as the process through which the belief becomes collective *even when*, at first, common values are absent.

But how can a recurrent social interaction become a ritual? A crucial requirement is abiding, as main communicative technique, to simulation.[9] Language, although essential, is more prone to transmit ideas, or more exactly concepts (see footnote 5), rather than symbols. Think instead at the celebration of a religious ceremony or the preparation of a provocative theatre show. The user/ recipient gets as his own the emotions lived and expressed by the celebrant or the actor, in a sort of directed participation. The religious ceremonies and the theatre shows are idealtypical

[9] In this respect, Tullio-Altan [1992, 104 e sgg.] uses the expression "show technique".

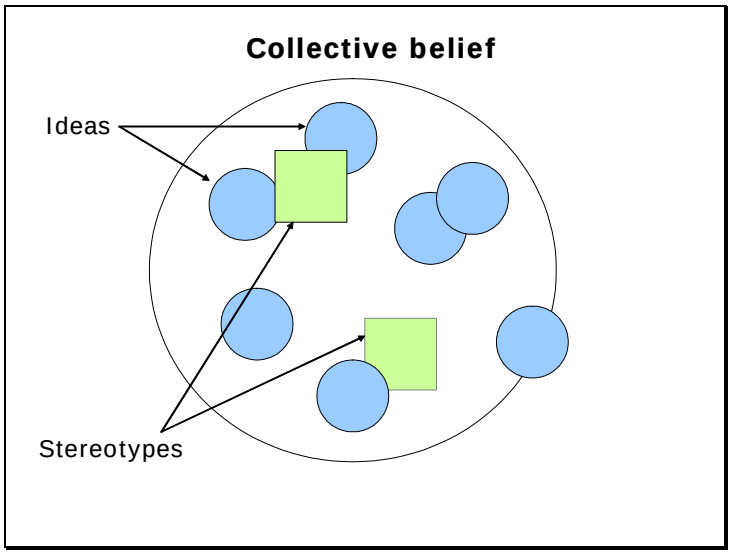
procedures – within a greater family of public rituals – that transmit symbolic messages by means of involving and simulating the mobilisation of individuals. Here, with the term "simulation" we mean the *fictio*, i.e. "something manufactured or modelled", not something untrue, unrealistic or merely relegated in a "as if" scenario [Geertz 1973, 53]. The simulation is therefore a prediction of the behaviours that (perhaps, but not necessarily) we will have outside public rituals, like when a scientist discovers a chemical formulae by means of the artificial simplicity of laboratory experiments, in order to apply it possibly, even with several complications, in "authentic" contexts of social life. Hence, when in a social event we manage to simulate other possible social events, we confer to that event the power of the public ritual. While a few actors perform to the benefit of a wide audience, the latter *might* undergo a double cognitive experience: at the linguistic-conceptual level, the audience is seating in a theatre enjoying the representation of a literary text; at the symbolic level, the audience enjoys the images evoked by the show and, on an individual level, converts those images in horizons of meaning. This is also true for less formal contexts: housewives talking every day when buying groceries *may* also show the double level of cognitive experience, if they simulate other social scenarios, perhaps imagining other life and consumption styles.

It seems reasonable to maintain that Italy is a country with high ritual density [for all: Isnenghi 1997a, 1997b]. In order to restrict the attention to *intentional*, or regularly planned, rituals, these encompass religious functions in those days devoted to recurrent familiar celebrations, soccer matches, patriotic ceremonies, popular festivals, official political speeches, meetings of associations and even reproduction of stereotypes on food, music, dialects or the thousands of bell towers. It is on this very broad ground of public rituals – separated on a geographical basis and different from each other according to the intensity of symbolic participation – that the distinction mentioned in section 2, between knowledge-through-symbols and knowledge-through-ideas arises. *While symbols are the "forms devoted to think", ideas are the "forms of thinking"*. Symbols are completely open and indefinite: a waving flag, or a mother who feeds, or a restricted area, can be part of countless horizons of sense, from regressive values to subversive planning. On the contrary, once public rituals have ensured the reproducibility of symbols within a specific human group, and those symbols are translated into ideas, at that time the group's members, voluntarily or not, begin to think unambiguous contents. This implies that, in order to assert something, something else must necessarily be denied. Such contents, even if fuzzy

and with multiple meanings, express degrees of congruence and stability that were absent before.

But the effects of public rituals are not confined to establishing a symbolic (collective) heritage, nor do they only convert such heritage into ideas (learned and re-elaborated on an individual scale). Public rituals serve another aim, especially important for our analysis: *they translate symbols into stereotypes*. Such stereotypes are pre-established frames, beliefs which are fixed independently of the interpretative context, normative expectations that tend to prevail over the phenomena that countervail them, prejudices that frame and orient the paths of ideas.[10] That fact that public rituals try to convert symbols into stereotypes, emerges from organized processes – and therefore, in economic parlance, from specific investments – that tend towards social purposes that we can precisely describe: Machiavelli remembers us this point, by observing that «governing is making the others to believe».[11]

Figure 1 – The relationship between ideas, stereotypes and the collective belief



But stereotypes do not always prevail through a conscious planning, nor are they always totally at the service of particular interests groups. In fact, it can happen that a whole collective – though internally prone to conflicts – shares a set of stereotypes

[10] Stereotypes are appropriately evoked by a well-know joke: «"Do you know what is my idea of hell?" ask a woman to another. "What's it?", answer the other. "A place where Italians govern, English cook, and Swiss are the lovers!"» [cited in Moghaddam 1998, 242].
[11] For a political analysys of these issues, see Murray Edelman [1971, 1976, 1988].

about itself and foreign collectives, since this contributes to weaken and sometimes to eliminate complexity and uncertainty, even when interactions with the other populations are absent. It should be added that stereotypes are effective in communicating redundant information: they reduce the burden of circulating information, by codifying it rigidly, and setting up a few unambiguous transmission channels [Burt 2001].

It is the sequence that from symbolic images goes to ideas or stereotypes that makes the made in Italy a "genuine" force of the society. When a symbolic image is translated into figures or sounds, it becomes an idea. Ideas, rather than symbols, can materialize, i.e. can become objects or actions. As regards objects: «figures can be designed or described with words (as happens for a theatre text), sounds can be recorded or written (as for a script), and so forth. The materialization of ideas produces changes: unknown objects appear, known objects change their appearance, practices transform» [Czarniawska - Joerges 1995, 221]. As regards actions: «it is the expectation of future actions that allows the meaning of things to appear, but this expectation is a symbolic event. Something is a "means" insofar as the expectation of future action exists, hence if the future action is "drinking" then the glass is a water container, but if the future action is "harming", then the glass is a harmful object. Things as such are available for all conceivable purposes; the specific one, and therefore its characterization, depends on expectations of future actions, but these expectations are exactly the symbols, which therefore *do not mean*, but rather *act*, and their action is the attribution of meaning from which the use of that thing depends» [Galimberti 1999, 207].[12] Therefore, the paths from symbols to ideas, and from these to objects and actions, constitute the route along which a collective belief can show up.

As regards made in Italy as the virtual brand of our country, this perspective is still not enough. Ideas express meanings, and who formulates, re-elaborate or grasp them, proceeds on an ambivalent and contestable land, in which both conditioning and autonomy are present. This individual focuses, as far as he can, his own peculiar strategies for converting symbolic images that are shared in horizons of meaning [Sassatelli, 2003]. Therefore, the propagation of a collective belief does not happen by means of *spreading*, as in the case of a disease's germs, but rather through *translation* [Czarniawska 2000]. Individuals not only catch symbols, nor do they

[12] In this passage, even if very insightful, Galimberti does not distinguish, as we are doing, between symbolic images and ideas. It is ideas, not symbols, that anticipate actions and, in the end, trigger them.

transmit them literally. Each symbol, like an idea, is used in order to confer sense and identity to everyone's lines of conduct. Even in nearly imperceptible ways, every symbol-idea is interpreted by each individual, selected, enunciated again, connected to other symbol-ideas. In such a way, a symbol can be crafted into contexts that are different from those for which it has been created, in so modifying the meaning of actions. Within this perspective, a cognitive investment of resources and time devoted to design and strengthen made in Italy as virtual brand appears useless. Rather, it is up to the stereotypes the task of reducing, in this respect, the uncertainty. In what follows, we examine therefore the process of investment in stereotypes.

5. A model of investments in stereotypes

In the present section we model the economics surrounding the organization of rituals, devoted to promote stereotypes on the collective belief about the existence of made in Italy. Although what follows will be necessarily oversimplified, compared to the rich mechanisms that govern the formation of a collective belief, as outlined before, we believe there is scope for drawing some important lessons for policy purposes. First of all, we need to define the economic nature of such collective belief. As mentioned, a belief exists since it impinges on a collective: either a large group of individuals recognizes a collective belief as such, or it is not effective at all. This means that the social benefit of fostering a collective belief is higher the largest the group that have access to it. At the same time, the utility that an individual derives from the existence of this collective belief does not subtract the possibility of another to derive benefits from the same aggregate amount. From these two conclusions it follows that the collective belief on the made in Italy is undoubtedly a public good. We further maintain that this special public good jointly brings about different kinds of benefits, of varying degree of publicness, to distinct classes of agents. This implies that individuals will not have the same incentives to contribute to providing such public good.

As known, the general results of the pure public good problem is disappointing, since provision will be suboptimal (Samuelson, 1954), and redistribution will not alter the aggregate allocation of resources (Warr, 1983), giving rise to strategic interaction and collective action problems (Olson, 1965). From these problems, a conclusion originates, according to which independent, decentralized action is often insufficient to

achieve allocative efficiency. Agents will tend to free ride and will generally fail to adjust the benefits that their effort confers on the others. Some form of external support to collective action may be warranted, in particular whenever the associated social gains are greater then the corresponding transaction costs. On the contrary, the conjecture behind another public goods model, the joint production model outlined by Cornes and Sandler (1984a), is that individuals pursuing their private benefits from contributing to a good involuntarily produce also public benefits for the rest of the society. Under particular but reasonable circumstances, the existence of joint products attenuates the underprovision problem and impairs the neutrality property, in so lessening the severity of the prognosis about collective action problems. However, as we shall see, this may distort the choice of outputs, the specific public rituals aimed at producing stereotypes, devoted to foster the collective belief.

To formalize the problem of providing stereotypes to foster a collective belief in the made in Italy, we utilize the modelling approach set out by Cornes and Sandler (1984a, 1985, 1996). In what follows, we mainly distinguish two classes of Italian agents: generic tax payers and firms.

Take taxpayers first. Their representative utility is given by the following function:

$$U_c = U(y_c, z(Q), \mathbf{X}_c) \qquad (1)$$

where c = (1, .. , n) is the representative taxpayer; y_c is a private good used as numeraire, whose price is set to zero; $z(Q)$ is the not-rival and not-excludable benefits to Italian taxpayers, owed to the diffusion of a collective belief on made in Italy, for instance in terms of higher price for Italian goods, economic growth and employment, that is the aggregate amount of the public good; finally, $\mathbf{X}_c$ is a vector of tastes or exogenous variables that may affect welfare, positively or negatively, by modifying the marginal benefit of the public good. One may think at those workers employed in Italian firms, who derive a direct benefit from more sales in terms of secure job, higher pay, etc..

Italian firms benefit in a very different way, compared to a representative taxpayer, from a collective belief on made in Italy. In particular, they may gain a commercial advantage over foreign competitors. Still, these benefits are purely-public, but do not exhaust the range of effects provided by a collective belief. Firms directly taking part to public rituals may also eventually gain a commercial advantage *vis-à-vis* not-participating national rival firms. Moreover, those firms may be relatively less

concerned about the price or quality of their products, since consumers buy them on the basis of other considerations (essentially, their symbolic meaning). Hence, investing in fostering stereotypes has, for a particular firm, a double dividend: on the one hand, it gains share in foreign and national markets; on the other hand, it gets larger profits, since may impose higher prices or may reduce quality.[13] As a consequence, besides the public benefits that may accrue from fostering a collective belief, Italian firms that finance public rituals derive benefits that are either excludable, partially or totally, or rival after a certain threshold, that is of private nature. The more a firm operates in a foreign market, the higher is this kind of benefits. Goods that provide such a mixture of benefits are known as joint products.

The benefits accruing to Italian firms from this joint product may be grouped into various categories, according to the outputs provided. The degree of publicness is measured by the ratio of private benefits to total benefits. Purely-public benefits accrue to firms from contributing to the organization of major public events, such as the 2006 Olympic Winter Games in Turin, which have an indirect impact on the collective belief and are broadly relevant for the Italian products as a whole. Yet, if a firm supports directly that event and, as a consequence, is allowed to advertise during the games, it also gets a specific additional benefit, which is precluded to non-contributors, thus excludable. Impure (rival) public benefits derive from a commercial campaign aimed at promoting a global view of Italy as a country offering a complete range of high-quality products. If this set of products admits only one illustration per each product category, being in such initiative means, for an Italian firm, representing the country's archetypical supplier for that category. As a result, the contributor obtains rival benefits, since participation of one firm precludes another from having the same level of visibility. Finally, localized public benefits may be associated to campaigns targeted to specific territories, such as an Italian Region, which may foster the demand for the produce of local industrial districts. For analytical simplicity, in what follows we restrict the attention to the different publicness of two main outputs (rituals), organizing a public event and undertaking a commercial campaign, without differentiating further among private benefits.

The utility function of a representative Italian firm can be thus formalized as follows:

[13] For example, Barilla sells more pasta abroad than all other rivals, though the products of some of them are recognized to be of better quality.

$$U_i = U(y_i, \delta(q_i), \varphi(Q), \mathbf{X}_i) \quad (2)$$

where i = (1, .. , m) is the representative Italian firm; y_i, its private good, can be though of as a substitute marketing activity carried out by each firm, without alluding to any collective belief; $\varphi(Q)$ is the aggregate amount of the purely-public benefits accruing to all Italian firms. Apart from the magnitude of these benefits, which clearly differ from those of consumers, the key aspect distinguishing equations (1) and (2) lies in the term $\delta(q_i)$, which denotes the part of benefits that accrue to each producer, as a function of its specific contribution, not of the aggregate contributions. Finally, the exogenous variables $\mathbf{X}_i$ may include, in the case of firms, the effect of operating in highly competitive and globalized foreign markets, such as US and Japan, whereby a major effort is needed to gain a greater market share in a specific sub-sector, so that the marginal benefit of the collective belief is also higher then in other markets.

To see why collective action problems in providing a joint-product public good may be less harsh than in the case of pure public goods, we first need to figure out why distinct agents have different incentives to finance a set of initiative aimed at fostering the collective belief in the made in Italy. As seen, it is through public rituals that the symbolic experiences aliment a collective belief. This investment is large relative to each consumer, and even a single firm may not afford it entirely. But the average cost per agent benefiting from this public good is low and the net social benefit can be substantial. If it is worth promoting a collective belief, then real resources have to be employed to organize public rituals. We may therefore think at public rituals, aimed at disseminating stereotypes, as the investment in the public good, that is to say the technology of its production. It follows that the contribution of each agent to organizing public rituals may be interpreted as the individual demand for the public good.

We first analyse the incentives to provide a public good in the general case of purely-public benefits, which represents the Italian taxpayer's expected behaviour, and then for the joint products, characterizing Italian firms. For the moment, suppose that the overall amount of the public good is given by the simple aggregation of individual contributions, $Q = \sum_{c=1}^{n} q_c$, where q_c is the subscription of a generic taxpayer c (his demand for the public good). This means that all agents are identical. We further define the budget constraint of consumer c as $y_c + pq_c = I_c$, where I_c represents the agent's total endowment of real resource (income) and p is the price of

the public good, in term of opportunity cost of releasing resources from production of good y.[14]

Individual maximization of utility (1) subject to the budget constraint gives the following first-order conditions:

$$p = MRS_c^{q,y} = (\partial U/\partial q_c)/(\partial U/\partial y_c) = MB_c \qquad (3)$$

where $MRS_c^{q,y}$ is the marginal rate of substitution between y and q, or alternatively the marginal benefit provided by the public good, MB_c, which represents the agent c's willingness to pay for it. Since for all consumers holds that $MB_c < \sum_{c=1}^{n} MB_c = MB_S$, where MB_S is the marginal social benefit, then the marginal benefit that an individual contribution confers on other agents is ignored in agent c's selfish calculation, so that underprovision (easy riding) is predicted. Only individuals whose net benefits are positive will have an incentive to subscribe the public good. This leads to the first implication for collective action: there will be a disproportionate asymmetry in sharing the burden of provision. Since the aggregate cost of setting up the public rituals could be substantially high, though the average cost per consumer is low, the representative taxpayer will hardly be able to afford strictly positive investment. Perhaps, only a very rich individual may be induced to invest some resources in providing a collective belief, allowing the others to free ride.

The second collective-action implication of interest herein is the ineffectiveness of public policy, whenever agents are perfectly identical. In order to show it, a further step is required. Denote with $\tilde{Q} \equiv Q - q_c$ the contribution of all consumers but the generic agent c and rewrite the budget constraint in the equivalent form $y_c + pQ = I_c + p\tilde{Q} = F_c$, where F_c is called "full income". This allows making the following transformation of the utility function (1):

$$U_c(y_c, z(Q), \mathbf{x}_c) = U_c\left(I_c + p\tilde{Q} - pQ, z(Q), \mathbf{x}_c\right) = V_c\left(F_c, z(Q) \mid p, \mathbf{x}_c\right) \qquad (4)$$

[14] If both goods are normal, the demand for the public good unambiguously raises with more income and/or lower price.

From equation (4) it is evident that the individual level of utility, and the resulting choice of q, cannot be determined without reference to $\tilde{Q}$. We adopt the non-cooperative Nash-Cournot assumption of independent adjustment behaviour, that is individual's expectations concerning $\tilde{Q}$ are exogenously determined. If agents are identical, this is equivalent to assuming that $\tilde{Q}$ is always taken as given.[15] In such circumstances, the underlying strategic behaviour implies that a redistribution of resources will be neutral in terms of aggregate amount of the public good. Any variation in agents' budget, such as a transfer from the individual c to the rest of the community, will be completely offset by a reduction in agent c's willingness to pay for the public good. Thus, the best response of agent c to variation of conjectures on $\tilde{Q}$ is $dq_c / d\tilde{Q} < 0$.

This happens because, from equation (4), the only way to hold utility level constant following a lump-sum tax on income is to reduce the demand for the public good by the same amount, so that $-dI_c = -dq_c$. Given that all individuals are identical, it will also hold that a subsidy will produce an increase in the demand of the same amount, thus $dI_{\tilde{Q}} = d\tilde{Q}$. Hence, an individual whose income has fallen experiences an increase in the others' contribution, called *spill-in*. To leave its utility level unchanged, the individual that experiences such "real income effect" will reduce its demand for the public good. In fact, in determining equilibrium choices, individuals care about the sum $I + \tilde{Q}$, not about the two parameters separately. The marginal condition for individuals' equilibrium is not affected, and the aggregate availability of the public good, Q, remains unchanged.

Summing up, the aggregate amount of the public good is given by the sum of individual contributions that simultaneously satisfies equation (3) for all agents. By the implicit function theorem the generic demand for the public good, or reaction function in game theory parlance, can be written as:

$$q_c = f(F_c, p, \mathbf{X}_c) \qquad (5)$$

[15] For a model with non-zero conjectural variations, which assumes relevance for the problem of the optimal size of a community, see Cornes and Sandler (1984b).

While these results hold for the class of agents broadly defined as taxpayers, Italian firms may have very different incentives to pay for public rituals that foster a collective belief in made in Italy. Recall from equation (2) that firms get both public benefits, $\varphi(Q)$, and private benefits $\delta(q_p)$ from each unit of the public good. Suppose that these functions are linear in the contribution of each firm, so $\varphi(Q) = \alpha Q = \alpha\left(q_i + \tilde{Q}\right)$ and $\delta(q_p) = \beta q_p$. It follows that equation (2) can be rewritten as $U_i = U\left(y_i, \beta q_i, \alpha\left(q_i + \tilde{Q}\right), \mathbf{X}_i\right)$. Hence, each unit of the public good supplied by agent p yields α units of the public benefit and β units of the private benefit. In this case, the Nash equilibrium results when each agent simultaneously satisfies its first-order conditions:

$$MRS_i^{q,y} = \alpha MRS_i^{Q,y} + \beta MRS_i^{x,y} = p \qquad (6)$$

where αMRS_p^{Qy} is the marginal willingness to pay for outputs yielding purely-public benefits, and βMRS_p^{xy} is the marginal willingness to pay for outputs producing private benefits. In equation (6), the weighted sum of the two marginal valuations is equated to the relative price of organizing public rituals. On the contrary, Pareto optimality would imply $\left(\sum_{i=1}^{m} \alpha MRS_i^{Q,y}\right) + \beta MRS_i^{x,y} = p$. Hence, the first best is not achieved unless $\alpha = 0$ and $\beta = 1$. This means that if the collective belief would not produce any public benefit to Italian firms, but only private ones, incentives would be the strongest. In this case, a club-like arrangement would achieve the first best allocation. Conversely, if $\alpha = 1$ and $\beta = 0$, then the benefits accruing to Italian firms from investing in public rituals would be purely public. Hence incentives for underprovision would be similar to those of a generic taxpayer, with strong easy-riding.

The case in which both α and β are both strictly positive is a general model of public goods with different degree of publicness. It is of special interest for our purposes, since we are convinced that the collective belief in made in Italy may be fostered by means of various outputs, each producing a unique combination of public and private benefits for Italian firms. In fact, contributing to a major public event confers much more purely-public benefits then financing an advertising catalogue of

Italian exporting firms, which raises the utility of the single agents in a selective way, according to their decision to contribute or not.

Three collective-action implications can be drawn from the joint product model. The first is that the marginal influence of community spill-ins on an agent's own effort is far more complicated than the case of pure public goods. In particular, it can be positive or negative, depending on the consumption relationship of the jointly produced outputs. If an increase in the availability of the public benefits augments the desirability, or marginal valuation, of the private benefits, then the two outputs are said to be Hicksian complements in consumption. Otherwise, the two outputs are substitutes. In our opinion, the case we are dealing with is one in which public and private benefits are complements to each other. This follows from the fact that, the more is spread the collective belief in made in Italy, which is in turn a consequence of past and present actions aimed at achieving such result, the greatest is the private benefit that each firm gets from undertaking specific contributions to future initiatives. Hence, the purely-public spill-in accruing from the existence of a stronger collective belief in made in Italy may induce Italian firms to contribute more to organizing public rituals, so as to secure more private benefits, which can only come from their own spending. Thus, the model allows the possibility that a lager contribution of one agent would crowd in other contributions. In this manner, undersupply would be spontaneously curbed, while the generic taxpayer would be allowed to free ride completely. The effects of the spill-in can be modelled by recalling that the budget constraint can be rewritten as $y_i + pQ = I_i + p\tilde{Q} = F_i$. The individual reaction function in the case of joint products would then be:

$$q_i = f\left(F_i, \tilde{Q}, p, \mathbf{X}_i\right) \qquad (7)$$

Compare equation (7) with equation (5): the presence of the additional term $\tilde{Q}$ in the demand function is the (positive or negative) spill-in from community contribution on the demand of agent *i* for the private characteristics of the public good, which may reinforce or counteract the real income effect on aggregate provision. For public and private benefits which are strongly complements to each other, it has been shown that the underlying coordination game form has multiple Nash equilibria (Sandler, 1992). For strong complements, it can hold that $dq_i / d\tilde{Q} > 0$, so that all players contribute. Hence, a joint-product scenario in which benefits are strongly

complements may eliminate defection as the dominant strategy: failure to contribute may yield a smaller payoff, since the related private benefit would not be achieved. However, it should be noticed that technical change and shifts in preferences can alter the share of excludable benefits. Hence, incentives to contribute must be ascertain in each case and in a dynamic fashion.

The second implication of the joint product model is that redistribution is not anymore neutral. The presence of excludable outputs can limit substitutability derived from the contributions of others. Hence, insofar as individuals differ in their marginal valuations of the public and private benefits, their real income responses to redistribution will not cancel out among each other. In particular, a small tax on firms displaying higher ratios of private to total benefits would not produce a reduction of their contribution, since these firms would still be motivated in order to get private benefits. Tax-financed public benefits are unlikely to crowd out individuals' contributions. However, it is by no means clear whether the effect of a redistribution policy would be beneficial or harmful to the aggregate supply of public benefits. This depends on the specific outputs employed to produce the public good.

In fact, a third implication of this model is that agents may invest selectively in specific activities, according to their preferences and resources, as well as the technological and institutional environment, so as to produce different outputs yielding a particular mix of private and public benefits. The agents' investment in the public good can be shaped so as to alter the combination of public and private characteristics. Suboptimality is envisaged for the aggregate provision of rituals producing purely-public benefits, such as major events, while for commercial campaigns, club-like arrangements may endogenously arise and eventually achieve the first best. This means that a protracted effort to foster the collective belief in made in Italy through a series of broad public rituals would be hardly achieved without the intervention of a central authority, while spontaneous coalitions of firms that, when required, jointly promote a commercial campaign are more likely to arise independently. Anecdotal evidence supports such conclusions.

6. Confronting the reality: asymmetries, sunk costs, policy and institutions

In the present section, we wish to further enrich the analysis of joint-product public goods, by exploring the implications of introducing specific hypothesis to the basic

model, which are more consistent with the reality. Since we consider the combination of public and private benefits, we mainly deal with the expected behaviour of firms. We focus on four three aspects: the way agents differ in terms of demand and supply of the public good; the nature of costs agents must incur to derive the benefits of the public good; the role of public policy in promoting individual contributions and overcoming major coordination failures; and the way institutional design could impact aggregate supply.

Differences between agents entail many aspects: resource endowment, tastes, exogenous characteristics, and efficiency of supplying the public good. The issue of asymmetry in income has been dealt with in the previous section, when the exploitation hypothesis has been mentioned. In the joint product model, this result does not necessarily hold, since an agent with small income could nonetheless get a favourable proportion of private benefits, hence he may have high incentives to contribute. Tastes and exogenous parameters also shape contributions in a predictable way: a great preference for the public benefits and/or a situation that makes the public benefits more valuable to an agent will shift its reaction function in a way that is more conductive to positive contributions.

The way agents' contributions combine with each other to determine the aggregate amount of the public good, is called social composition function, or technology of public supply. This aspect deserves special attention. The technology of supply underlying the basic model presented in the previous section is additive, in such a way as the total amount of the public goof is $Q = \sum_{i=1}^{m} q_i$. However, some firms, for instance those exporting in highly-competitive markets or those dealing with luxury products, may be more efficient than others in organizing public rituals, for instance because they have previous experience or a superior production process. In this case, the total amount of public good would be the weighted sum of the individuals' contributions, that is $Q = \sum_{i=1}^{m} w_i q_i$, where w_i is a parameter representing the marginal efficiency of the individual *i*'s contribution, relative to those of the others. Public goods that abide to a weighted sum production technology limit the degree of substitutability, and hence publicness, derived from the contribution of others. As a result, redistributing income in favour of the relatively more efficient agents has the desirable effect of increasing total provision, and in so doing, also aggregate social welfare, in so benefiting the entire society.

Another interesting aspect of asymmetry between agents arises when benefits accrue only at the *local* level, in particular to those agents that afford an initial accession cost of a sunk nature. Public goods producing such benefits are known in a recent strand of literature, as "specific" (Bellandi, 2003). Here, we attempt to sketch a conceptual framework for analysing the relationship between specific public goods, and joint products with different degree of publicness. First of all, the conditions upon which a public good is specific must be drawn. Call m the number of agents in a sub-group of the society characterized by, say, a common specialization or localization, with $m < n$. Denote with k the sunk cost required to access the benefits of a public good. This public good, whose aggregate quantity is S, will be specific if the agents are linked to each other by a subjective nexus, i.e. share common subjective features, and at the same time satisfies the following conditions:

$$\begin{aligned} & U_j^e(S) - k >> 0, \forall j \in \{1,.., m\} \\ & U_i^e(S) - k \leq 0, \forall i \neq j \end{aligned} \qquad (8)$$

Equations (8) say that, for the sub-group of m individuals, and for them only, the *expected* utility deriving from S being produced, net of initial sunk costs (but not of production costs), is greatly larger than zero. Once this condition is satisfied, the actual utility level of each individual, and thus the incentive problems in financing the public good, can be brought back to the analytical framework depicted in section 5 fro purely-public goods. The different incentives to provide a specific public good, compared to the general case of universal public goods, is that the community of potential contributors is smaller, and this implies in principle that the average contribution is higher, though not necessarily large at an aggregated level.

A second step entails ascertaining the specificity of the benefits produced by a collective belief in the made in Italy. Above all, there is the professional specialization of the firms localized in an industrial district, which is the basis of the literature on specific public goods. The made in Italy related to the leather sector may be well associated to a specific leather district. Furthermore, some sunk investments can be specific to other firms that pursue a commercial strategy in which the made in Italy is a strong component. We refer to marketing studies, or specialized consultancies, that can be needed to fully exploit the private benefits of the investment in stereotypes.

However, for specific public goods, there is a negative income effect deriving from the sunk costs that worsens the budget constraint, that is $I_j - k = y_j + pq_j$; this

tends to reduce, *ceteris paribus*, the individual incentive to contribute. As a result, it is not possible to infer, a priori, the degree of sub-optimality in the production of a specific public good. What can be supposedly advanced is that specific public goods also produce many benefits which have a private nature for the sub-group of beneficiaries.

On the basis of the co-production model, when private benefits are perceived by a small group, it is highly probable that the cooperative behaviour is predominant. It follows that there is a theoretical justification to supposing that the aggregate quantity of specific public goods that produce private benefits, can be close to the Pareto-efficient level. In turn, such specific public goods may produce, besides private benefits to the sub-group of m subscribers that spend in sunk accession costs, also public benefits for the entire society of n individuals, though at a low degree. The utility of the j-th agent can thus be rewritten as follows:

$$U_j = U(y_j, F_m(S), x_j(q_j), G(S)) \tag{9}$$

where $F_m(S)$ and $G(S)$ are respectively the pure specific benefits and the pure universal benefits deriving from supplying S units of the public good. On the contrary, the i-th agent, that do not pertain to the sub-group of specific beneficiaries, also perceive universal public benefits, hence his utility function will be:

$$U_i = U(y_i, G(S)) \tag{10}$$

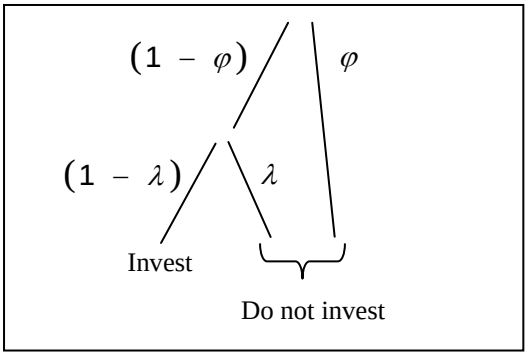
It is evident that only the j-th agents have incentives to supply the specific public good. When universal benefits are scarcely relevant, i.e. if $G(S)$ i slow, the incentives of the i-th agents are nil. This framework has also the virtue to underlie the mechanism according to which universal public benefits may be produced through the initiative of a sub-group only of the society.

The asymmetries between agents explored so far imply that coordination through public policy still remains germane to obtaining such aggregate amount of the public good. Unless a critical mass of contributors is achieved – whether stimulated by their resource endowment, preferences, private benefits, or public subsidies – large contributions will not materialize. This is the main foundation for public policy, which should be able to encourage both those agents who would derive private benefits from the public good but do not own sufficient resources to contribute, and those agents

whose income is enough but would not obtain sufficient private benefits. The former policy would try to reinforce the incentives of those who already have reasons to invest, while the latter would aim at expanding the group of contributors. Preference in redistribution should also be given to those agents whose production process is more efficient than the average contributor. Such measures are clearly Pareto-improving with respect to the total amount of the public good.

However, contrary to the common wisdom set out in the previous section, it is crucial in this respect to ascertain the specific composition of the group of contributors. Call $(1 - \lambda)$ the fraction of firms that derive enough private benefits from the joint product to consider it worthwhile to make sunk investment, and λ the fraction of those that do not. Simultaneously, call $(1 - \varphi)$ the fraction of firms that have enough resource endowment to afford such investment, or have preferences that are conductive to contribute, and φ again those that do not. In order to depict a clear picture of the problem, the two aspects must be jointly considered, since they influence each other. Figure 2 helps clarifying this point. It is by no means clear that a larger group of firms whose endowment is enough to cover all costs will automatically make greater contributions, since private incentives should be ascertained as well.

Figure 2 – Incentives to invest in a joint product



If the firms who experiment an increase in income, due to, say, a subsidy, are nonetheless those which get few private benefits from the public good, then the resulting aggregate provision would be unaffected. It can also happen that the aggregate amount of public good will fall if, for instance, among the firms that are taxed there are those which have just sufficient resources to invest. In order to overcome this problem, a high degree of coordination is required. Hence, a public

policy aimed at fostering individual incentives to invest in the made in Italy should be more proactive than a simple redistribution. Richer firms that get a large share of private benefits should be singled out for the purpose of taxing them, since they will preserve incentives to invest. On the contrary, subsidies should be directed towards inframarginal firms, i.e. those which would fall under the share of contributors $(1 - \lambda)$, once they experiment an increase in income. Such group of firms must be also distinguished, before going ahead with subsidizing them. As a result, the concept of "selective incentives" should be enriched, so as to allow for detecting the peculiar circumstances of each firm.

A final remark in this section should be made for what concerns institutional design. A formal agreement could be used by potential contributors as an institutional device devoted to govern their collective action. An agreement may, for example, implement a club-like arrangement, which augment the incentive to invest, although not necessarily up to the optimal amount. Such institution would be a contract establishing a governance regime among a subset of potential suppliers. Such contract may guarantee a minimal mandatory contribution from signing parties, whose amount is known ex-ante. Yet, the decision on contribution levels has to be distinguished from that of taking part to the agreement or not, in so enriching the scope for economic analysis.

Murdoch *et al.* (2003) analyse this problem as a two-stage sequential game, in which the actual contribution is chosen by the agents after deciding whether or not to participate formally in an agreement. The decision on whether to sign or not an agreement, call it $D_i = \{1,0\}$, with 1 denoting participation, is apt to include variables that are not part of the contribution decision; nonetheless, since D_i is contingent on the second-stage determinants, given the assumption of subgame perfect equilibrium, the latter variables are part of both decisions. In symbols, firm *i*'s potential participation to the agreements depends its expected utility:

$$U_i(\Gamma_i, q_i(\bullet)) \qquad (11)$$

where Γ_i is a vector of first stage determinants of utility level, which are specific to each firm, and $q_i(\bullet)$ is the individual demand for the public good in the second stage, which may be equation (5) or equation (7), depending on the ratio of private to total benefits. Agents' decision to participate or not to the agreement in taken on the basis

of a comparison between the expected utility from signing, U_i^P, and that of not signing, U_i^N. Agents will sign the agreement if the difference between the utility levels is positive, hence if $\Delta_i = U_i^P - U_i^N > 0$. If setting up the agreement involves positive sunk costs, either because the public good is specific or because transaction costs are present (for instance to gather relevant information, monitor the behaviour of co-signers, enforce the agreed-upon contribution levels) this difference should be strictly greater than zero. Therefore, the probability that $D_i = 1$, may be written as:

$$\text{Prob}\,(D_i = 1) = \text{Prob}\,(\Delta_i > 0) = \text{Prob}\,(U_i^P - U_i^N > 0) = F(\Gamma_i, q_i(\bullet)) \qquad (12)$$

As indicated in (9), the probability to sign is dependent on the determinants of utility difference, hence on both first-stage and second-stage variables. First-stage determinants, Γ_i, can include the desire of a firm to penetrate a foreign market, or the fact that a firm had directed its past marketing efforts to giving an image of itself which is consistent to the collective belief in made in Italy. These determinants may well provide different individual incentives to adhere or not to a formal agreement. Yet, the most interesting aspects of this extension of the basic model lie in the comparative statics resulting from a modification of second-stage variables. In fact, these variables may have quite a different qualitative impact on D_i, than it has on the contribution decision, since may operate on U_i^P and U_i^N in a different way. Second-stage variable that worsen the prognosis for collective action serve to augment the perceived net gains of a formal agreement.

Other things held constant, an increase in $\tilde{Q}$, the contribution of the others, implies less overall contribution in the absence of an agreement. Hence, a rise in spillovers is anticipated to augment the gains of signing for many potential participants, since constraining oneself contribution to a high level is more worthwhile when others are also constrained to do so. Conversely, an increase in β, the proportion of private to total benefits, is anticipated to increase agent's utility derived from its own contribution, since less of a welfare gain materializes from joining an agreement, so that there are incentives to act alone. An increase in the price of the public good results in smaller individual contributions in the absence of an agreement, meaning that a greater potential gain can come from signing and committing to a specific contribution level. A remarkable result is that greater income levels lead to

larger contribution even without an agreement, thus limiting the potential gains from committing formally. However, a larger resource endowment allows a firm to make those sunk investments (marketing studies, consultancies) that can be needed to fully exploit the private benefits of the investment in stereotypes. Hence, public decision makers should be aware of the potential effects of redistribution, when deciding on how to support the public good provision. Finally, the influence of larger mandated contributions is more difficult to anticipate and must be determined empirically. Gains follow from making other participants contributing by more, while losses come from larger contributions that the individual firm has to achieve.

The decision to take part to an agreement could be further enriched by examining the effects of an imperfect enforcement mechanism (Sandler and Sargent, 1995). The difficulty of imposing to the others a targeted contribution level implies that, even with an agreement, there is uncertainty about the extent of aggregate provision. Suppose that a minimal threshold of contributors is required before the public good displays its benefits. Hence, if acting alone is more beneficial than cooperating when the minimal threshold is not attained or maintained, incentives exist for potential participants not to sign the agreement. This is a coordination game with multiple Nash equilibria, in which the larger the size of contributors required to produce a public good, the lower the individual likelihood of signing the agreement. With sufficiently high minimal sizes, even in small groups an agent will require near certainty that the others will not defect, in order to have incentives to sign. Furthermore, a weighted-sum technology of public supply implies that one's own action is more productive than those of others, in so reducing the net gains from cooperation and worsening the likelihood of cooperation. Finally, with positive transaction costs, the prognosis for collective action is even worse. For most reasonable scenarios, transaction costs enhance the negative impact of uncertainty on the formation of an agreement.

Following this reasoning, it seems that the results of the basic public good model extended to take into account the two-stage formation of an agreement, shed a rather pessimistic light on the prognosis to foster a collective belief in made in Italy, even in club-like arrangements. However, with joint products, the larger the private payoff resulting from individual action, the lower is the certainty about the counterparts' behaviour that is required to induce adherence to an agreement. Besides, designing a more sophisticated institutional structure may also help overcoming such coordination problems. For instance, by introducing stipulated sanctions for defecting in an agreement, the associated gains for defection are reduced, so cooperation is fostered.

Moreover, by introducing refundability of incurred transaction costs whenever a minimal cooperation is not reached, the resulting effect is the elimination of the sunk nature of these costs, in so augmenting the incentives to sign an agreement.

7. Conclusions

Made in Italy as a virtual brand could be essentially placed in the field of *stereotypes-that-become-objects-and-actions*. Yet, as we maintained, made in Italy could not be understood if the foundations of the collective symbolic experience are not taken into account. This symbolic experience exists insofar as many people jointly recognize it as such. In turn, a set of symbols will be actually shared to the extent that a human collective evokes it by means of public rituals. Accordingly, an individual will fuel himself with symbols-to-establish-meaning-and-identity, plunging himself in a tragedy of Sofocle, in the Christian sacrament of Mass, but also joining an association, participating to a classroom, or entering a virtual web space. Within public rituals, the collective belief can give rise to both ideas and stereotypes. Ideas are individual paths of reasoning that continuously redesign the meaning of symbols, while stereotypes, as "pre-established labels", try to stabilize the meaning of symbols.[16] In this line of reasoning, we would understand little about the fortunes of made in Italy, if we supposed that innovations all come from (new) ideas, since these pave the way to contents of the collective belief that are able to revert the fixity of stereotypes. In fact, besides macro-innovations that change the boundaries of some representations of the collective belief, we can observe a continuum of micro-innovations that, by framing stereotypes, coagulate the boundaries of those representations, even outside a particular society. The first process feeds back in, and leans on, to the other, since the former modifies the meanings that the latter is in charge of asserting and spreading.

In this paper, we have advanced a possible way to model the process of fostering the collective belief in made in Italy. We have treated such issue as an economic problem of providing a public good that displays different combinations of public and

[16] According to Montanari [2002, 2], in a world in which, due to the development of metropolises and globalization as in contemporary society, contacts increase rapidly, then the knowledge of the others ends up as pre-shaped and conventional. The result is that people tend to define the others, not on the basis of their peculiar behaviours, but of behavioural expectations, of *labels* or *stereotypes*. These generalizations are obviously false, but not at all ininfluential or neutral, since generalizations, by affecting our knowledge about the reality, also have an effect on our behaviours.

private benefits, according to the agent under consideration. In this scenario, since investing in stereotypes may give to firms a good deal of private benefits, the prognosis for collective action is rather optimistic. Moreover, the different efficiency of the various agents in producing public rituals can also be conductive to high levels of contributions. Yet, a few complications arise when it comes to distinguish between different outputs of such investment. A distortion in the production process may arise, which leads firms to devote the most effort to outputs that mainly produce excludable benefits, in so disregarding those outputs producing purely-public benefits. In such cases, the centralization of the production process is warranted. Weather or not the collective belief in made in Italy is pure public good or a joint product, as well as the technology of public supply and the strategic model to which individuals' behaviour abide, is a matter of empirical analysis, which is left for future research. Indeed, on the basis of the theoretical arguments maintained in this paper, a few suggestions can be advanced for public policy and institutional design.

Redistribution and coordination are the main policy tools available to a central authority, in order to stimulate private provision in the joint-product public-good model. Yet, it is by no means clear that a group of firms whose endowment is enough to cover all costs will automatically make such greater contributions. In fact, private incentives should be ascertained on a case-by-case basis. Besides, a formal agreement could be used by potential contributors as an institution devoted to govern their collective action. This has been modelled as a two-stage game in which the decision to sign the agreement is conditioned on the expected outcome of the contribution stage. A remarkable result is that redistribution will tend to discourage any such agreement. Hence, public decision makers should be aware of the potential effects of redistribution, when deciding on how to support the public good provision. Such problems are exacerbated when enforcement problems are present, although designing a more sophisticated institutional structure may help overcoming in same cases those coordination problems.

However, it should be clear that is not enough to invest in stereotypes in order to obtain a solid and pervasive collective belief, almost like it is not enough to spend in marketing or R&D in order to prevail over direct competitors. Actually, if the user of symbols does not ever consume only stereotypes, but also ideas, a symbol can lie in different contexts than those for which it has been placed, in so modifying the meaning of actions and making it impossible to forecast the outcome of investments in made in Italy as a virtual brand. Nevertheless, even if nobody can orient "from his

desk" its future vitality, it holds true that, absent any emblematic event or dedicated investments that may foster its evocative power, made in Italy is bound to weaken and to remain a "dead symbol". A collective outcome will reproduce itself only by means of a collective production process.

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